

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: EMIN, ETRD, UNCTAD, EEC
SUBJECT: UNCTAD COMMON FUND - UK PREPARES ON OPENING EC POSITION

REF: EC BRUSSELS 1378

1. SUMMARY: THE UK HAS PREPARED A JOINT EC OPENING POSITION FOR THE FORTHCOMING UNCTAD NEGOTIATIONS ON A COMMON FUND. THIS PROPOSAL IS AN ARTFUL BLEND OF THE DIVERSE MEMBER STATE POSITIONS. THE MARCH 8 FOREIGN MINISTERS COUNCIL WILL TAKE UP THE PROPOSAL. UK PERM DEL AND COUNCIL SECRETARIAT OFFICIALS BELIEVE THE PROPOSAL HAS ONLY A 50-50 CHANCE OF BEING ADOPTED. END SUMMARY.

2. UK PERM DEL AND COUNCIL SECRETARIAT OFFICIALS TELL US THAT THE UK, IN ITS ROLE AS PRESIDENT OF THE COUNCIL, HAS PROPOSED AN OPENING EC POSITION FOR THE FORTHCOMING UNCTAD NEGOTIATIONS ON THE COMMON FUND IN GENEVA. THE MISSION HAS A COPY OF THIS PROPOSAL AND IS SENDING IT TO STATE/EB/ECD-BOERNER, RPE-MCLEAN AND GENEVA - ALLEN. RYAN ALSO HAND CARRY A COPY TO OECD PARIS. THIS PROPOSAL WILL BE DISCUSSED AT A
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SPECIAL MARCH 1 MEETING OF THE COMMITTEE OF PERMANENT REPRESENTATIVES AND WILL LIKELY BE THE FOCUS OF THE DISCUSSION OF THE MARCH 8 FOREIGN MINISTERS COUNCIL.

3. THE PROPOSAL STATES THAT THE EC IS PARTICIPATING SYMPATHETICALLY AND CONSTRUCTIVELY IN THE COMMON FUND

NEGOTIATIONS. THE EC WILL WEIGH HEAVILY HOW WIDE AN AREA OF AND THE EC WILL PARTICULARLY SEEK WIDE AGREEMENT ON AGREEMENT CAN BE REACHED AMONG LDCS AND DCS. THE CASE FOR THE ROLE OF A CF, ON ITS POSITION IN RELATION TO INDIVIDUAL COMMODITY AGREEMENTS AND ON ITS IMPACT ON THE GOOD FUNCTIONING OF THE WORLD ECONOMIC SYSTEM. THE EC HOPES DETAILED DISCUSSION WILL START PROMPTLY ON THE VARIOUS ASPECTS OF A CF; IT WILL PARTICIPATE FULLY IN SUCH DISCUSSIONS.

4. THE UK PAPER GOES ON TO SAY THAT THE NEGOTIATIONS SHOULD AIM AT CREATING A SCHEME WHICH WILL HELP STABILIZE COMMODITY PRICES AROUND THE LONG-TERM MARKET TRENDS AND WHICH WILL NOT RAISE PRICES ABOVE THE TREND. INTERVENTION IN MARKETS FOR INDIVIDUAL COMMODITIES CAN ONLY BE UNDERTAKEN UNDER INDIVIDUAL COMMODITY AGREEMENTS. THE EC IS READY TO DISCUSS THE ADEQUACY OF FINANCIAL PROVISIONS FOR INDIVIDUAL COMMODITY AGREEMENTS. A CF SHOULD NOT SUBSTITUTE FOR THE FINANCING OF STABILISATION MEASURES UNDER INDIVIDUAL COMMODITY AGREEMENTS AND SHOULD NOT DETRACT FROM THE DISCIPLINE OF INDIVIDUAL AGREEMENTS.

5. THE OBJECT OF A CF IS TO SUPPORT INDIVIDUAL AGREEMENTS TO ASSURE THE OPTIMAL USE OF RESOURCES AND TO PROVIDE FINANCIAL ECONOMIES. A PATTERN OF MUTUAL ASSISTANCE AMONG SUCH AGREEMENTS COULD BE ENVISAGED IF INDIVIDUAL COMMODITY COUNCILS WERE TO DEPOSIT SURPLUS FUNDS WITH A CF AND TO DRAW ON SUCH RESOURCES WHEN IN LIMITED OFFICIAL USE

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NEED. SUCH RESOURCES COULD BE PROVIDED BY LOANS, BACKED BY LIENS ON STOCKS OR BY CALLABLE CAPITAL, DIRECT CONTRIBUTIONS, ETC. (THE PAPER ADDS THAT THE EC REMAINS DIVIDED ON THIS ISSUE, BUT FURTHER WORK IS NEEDED ON THE ROLE OF CALLABLE CAPITAL AND VOLUNTARY CONTRIBUTIONS TO ATTEMPT TO OBTAIN AN EC POSITION.)

6. REGARDING "OTHER MEASURES," THE PROPOSAL SUGGESTS THAT THE EC ACCEPT THE NEED FOR DIVERSIFICATION, IMPROVED PRODUCTIVITY, ETC. THE ROLE OF CF FINANCING OF THESE MEASURES SHOULD BE CONSIDERED IN LIGHT OF THE GENERAL INTERNATIONAL MACHINERY ON AID. A CF SHOULD NOT BECOME CONFUSED WITH THE WORK OF EXISTING INSTITUTIONS AND SHOULD NOT BECOME A GENERAL DEVELOPMENT AGENCY. AN APPROPRIATE OUTCOME OF THE MARCH NEGOTIATIONS WOULD BE TO ESTABLISH A FUTURE WORK PROGRAM ON POINTS REQUIRING FURTHER CONSIDERATION. WORKING GROUPS MIGHT BE CREATED TO REPORT TO THE CONFERENCE WHEN IT IS RESUMED.

7. UK PERM DEL AND COUNCIL SECRETARIAT OFFICIALS DO NOT KNOW IF THIS PROPOSAL WILL BE ADOPTED. THEY NOTE THE DUTCH HAVE RESERVATIONS AND THE FRENCH MAY PROPOSE TO MAKE THEIR OWN SEPARATE STATEMENT. IT IS, HOWEVER, AN ARTFUL BLEND OF THE DIVERSE MEMBER STATE POSITIONS AND IS INTENDED TO PROVIDE A JOINT EC POSITION AT LEAST FOR THE BEGINNING OF THE CONFERENCE.HINTON

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